

## Message Text

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ORIGIN XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 AID-05 CIAE-00 COME-00

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66610

DRAFTED BY: XMB:TKINGSLEY:LW

APPROVED BY: EB/OCA/REP:LAKLIEFORTH

XMB:TACHAPMAN

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XMB:WWGLICK

ARA/APU:JMSMITH

----- 114811

R 182259Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJ: USG VIEWS RE ARGENTINA'S CREDITWORTHINESS

1. EXIMBANK ASSIGNS COUNTRY RATINGS ONLY FOR PURPOSE OF FIXING FEES FOR EXPORTER CREDIT SERVICES. THESE RATINGS INVOLVED ONLY 18.2 PERCENT OF THE BANK'S TOTAL EXPOSURE OF DOLS 543 MILLION AS OF DECEMBER 31, 1974, IN ARGENTINA. THEY DO NOT RPT NOT APPLY TO THE BANK'S DIRECT LENDING/FINANCIAL GUARANTEES TO ARGENTINA. ARGENTINA IS RATED "C" AS COMPARED WITH BRAZIL AND MEXICO, FOR EXAMPLE, WHICH ARE RATED "B". "D" IS LOWEST RATING AND "A" HIGHEST. FOLLOWING GOMES MORALES' RECENT VISIT TO WASHINGTON AND A CALL ON THE CHAIRMAN BY THE ARGENTINE AMBASSADOR ON FEBRUARY 11, THE EXIMBANK'S BOARD OF DIRECTORS REVIEWED THIS RATING ON FEBRUARY 26 AND HAS REAFFIRMED ARGENTINA'S "C" RATING. THESE RATINGS ARE BASED UPON PERFORMANCE AND MANAGEMENT OF THE ECONOMY AND ITS OUTLOOK, BEARING IN MIND ALSO ITS LIMITED OFFICIAL USE

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PAST HISTORY. SUCH KEY CONSIDERATIONS AS SIZE, STRUCTURE, REPAY-

MENT SCHEDULE AND MANAGEMENT OF EXTERNAL DEBT, THE BALANCE OF PAYMENTS, EXPORT PERFORMANCE, CENTRAL BUDGET MANAGEMENT, GNP, INFLATION, FISCAL, MONETARY AND FOREIGN EXCHANGE POLICIES ARE ALL CONSIDERED. IN ADDITION, THE CLIMATE FOR PRIVATE DOMESTIC AND FOREIGN INVESTMENT AND OVERALL POLITICAL AND ECONOMIC STABILITY ARE TAKEN INTO ACCOUNT. EXIMBANK'S "C" RATING COMPARES WITH RATINGS OF MAJOR BERNE UNION MEMBERS, WHO EXPRESSED GENERAL CONCERN OVER RISING EXTERNAL DEBT AND POLITICAL SITUATION IN ARGENTINA AT RECENT JANUARY MEETING IN AUSTRALIA. THREE MAJOR MEMBERS RATE ARGENTINA IN THEIR LOWEST RATING GRADE. COMMERCIAL BANKS IN U.S. WITH WHICH EXIMBANK WORKS IN ITS EXPORTER CREDIT PROGRAMS POSSESS EXIMBANK'S COUNTRY LIMITATION SCHEDULE WHICH INCLUDES THE SUBJECT COUNTRY RATINGS. IT IS NOT KNOWN HOW THE ATTITUDES OF THESE BANKS ARE INFLUENCED BY THESE RATINGS. COMMERCIAL BANKS WITH INTERNATIONAL DEPARTMENTS APPEAR TO MAKE THEIR OWN RISK EVALUATIONS OF COUNTRIES WHERE THEY TRANSACT BUSINESS.

2. A BETTER INDICATION OF THE EXIMBANK'S ATTITUDE TOWARD ARGENTINA IS GIVEN BY THE GENEROUS TERMS OF THE RECENTLY APPROVED LOAN TO AGUA Y ENERGIA ELECTRICA FOR A HYDROELECTRIC PLANT AT RIO GRANDE. IN THIS CASE DOLS 18 MILLION DIRECT EXIMBANK CREDIT AND DOLS 18 MILLION IN GUARANTEES FOR COMMERCIAL CREDIT REPRESENTS 90 PERCENT OF THE DOLLAR COMPONENT OF THE PROJECT -- A HIGHER LEVEL OF COVERAGE THAN THE BANK IS NORMALLY APPROVING. IN ADDITION, THE BANK GUARANTEED THE EQUIVALENT OF DOLS 6 MILLION IN LOCAL CURRENCY COSTS -- A SPECIAL CONCESSION NOT ROUTINELY GRANTED. THE BANK'S TOTAL EXPOSURE IN ARGENTINA NOW TOTALS APPROXIMATELY DOLS 543 MILLION (OF WHICH DOLS 444 MILLION REPRESENTS DIRECT CREDITS AND FINANCIAL GUARANTEES), WHICH PLACES ARGENTINA HIGH ON THE LIST OF EXIMBANK CUSTOMERS. THE BANK HAS NO RPT NO CEILING ON EXPOSURE IN ARGENTINA, OR IN ANY OTHER COUNTRY.

3. NATIONAL BANK EXAMINERS OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY DO PROVIDE CONFIDENTIAL COMMENTS TO NATIONAL BANKS ON THE QUALITY OF THEIR PORTFOLIOS. THEY DO NOT, HOWEVER, INSTRUCT THE BANKS TO MAKE OR DENY PROSPECTIVE LOANS. THE COMPTROLLER OF THE CURRENCY, IN HIS OCTOBER 7 LETTER TO AMBASSADOR ORFILA (STATE 227268) SPECIFICALLY DENIED REPORTS THAT NATIONAL BANKS LIMITED OFFICIAL USE

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HAD TURNED DOWN CREDIT REQUESTS UNDER INSTRUCTIONS FROM HIS OFFICE.

4. THERE IS NO RPT NO EVIDENCE THAT THE EXIMBANK'S RATING OF ARGENTINA FOR THE LIMITED PURPOSE OF DETERMINING FEES FOR SUPPLIER CREDIT GUARANTEES OR ANY CONFIDENTIAL COMMENTS GIVEN NATIONAL BANKS BY BANK EXAMINERS HAVE CAUSED ARGENTINA ANY DIFFICULTY IN OBTAINING DESIRED CREDIT IN THE U.S. OR ELSEWHERE. IF GOA CAN

CITE ANY SPECIFIC INSTANCE OF SUCH DIFFICULTY WE WOULD BE HAPPY TO LOOK INTO IT. THE GENEROUS ATTITUDE OF THE XIMBANK IN SUCH CASES AS THE RIO GRANDE HYDROELECTRIC PLANT WILL DO MORE TO REASSURE THE INTERNATIONAL FINANCIAL COMMUNITY WITH RESPECT TO ARGENTINA'S CREDIT-WORTHINESS THAN WOULD ANY ACTION WHICH RELATES ONLY TO FEES FOR SUPPLIER CREDIT GUARANTEES.

5. THE EMBASSY MAY DRAW ON ALL THE ABOVE IN DISCUSSIONS WITH GOMEZ MORALES OR OTHER GOA OFFICIALS.

6. EXIMBANK EXECUTIVE VICE PRESIDENT HAS INFORMED ARGENTINE EMBASSY FINANCIAL MINISTER OF BOARD'S DECISION. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INSTRUCTIONS, FOREIGN POLICY POSITION, EXPORTERS, FEES, BANK LOANS  
**Control Number:** n/a  
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**Draft Date:** 18 MAR 1975  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**TAGS:** EFIN, AR, US, XMB  
**To:** BUENOS AIRES  
**Type:** TE  
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